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OBSERVATIONS
ON THE
Proceedings of
COUNTRY BANKERS
DURING THE LAST THIRTY YEARS;
AND ON THEIR
COMMUNICATIONS WITH GOVERNMENT:
TOGETHER WITH
A REMEDY
PROPOSED AGAINST THE ALARMING CONSEQUENCES
ARISING FROM THE
CIRCULATION OF PROMISSORY NOTES;
IN
A LETTER
ADDRESSED TO THE
CHANCELLOR OF THE EXCHEQUER.
By JOHN MILFORD, JUN.
LONDON:
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OBSERVATIONS,

ETC. ETC.

SIR—It is now within the last thirty years that we have witnessed three or four periods wherein commercial and almost national convulsions have occurred from the failure of Country Banks. On former occasions, in time of war, and from scarcity of money, the agitation and distress to individuals has been confined to particular towns or counties; on the late occasion, the panic, like a general epidemic, in an instant extended its influence, without discrimination, from the highest to the lowest establishments both in town and country; including, perhaps, the Bank of England.

The violence of a sudden tempest, we all know, both in the natural and political world, does not last long. The public at large as suddenly found their interests equally implicated, and used immediate

exertions to stem the torrent, by meetings and declarations of public and private confidence. Thus the panic has gradually subsided, and the whole body of doubtful and speculative banks shared the same protection with their more honourable brethren; leaving, however, the frightful consequences and sacrifice of property to fall equally on both descriptions of Country Bankers.

This short-lived convulsion must, however, have plunged thousands of the industrious and useful part of the community into wretchedness and misery. All this too has occurred at a period of profound peace, and of flourishing revenue: that the evil must and will recur at no distant period, whilst the present system is continued, is most evident to all men of observation; and it is equally certain, that very many of the first establishments having suffered such severe pressure, and made such heavy sacrifices, from this indiscriminate attack of the public, they will take good care never again to put it into the power of caprice or malignity to expose them to such a trial; they will confine

their circulation of notes to the narrowest possible scale their business will admit; and in proportion as this principle is acted on by them, so much the greater will be the increase of circulation with other banks, whose only object in business has been, by means of agents and forced measures, to disperse in all directions their promissory notes. Yet these latter gentlemen say, "Why should we, of all commercial men, be prevented from enjoying the advantage of public credit, when every man in business has the option of trusting his neighbour or not? If he does not like our notes, let him refuse them!" This merits no answer but for the purpose of exposing its fallacy: every man who goes beyond forty miles from London, finds these notes the only circulating medium through the whole kingdom; so that either all the intercourse of traffic must cease, or they must be forced upon him; he is astonished at never seeing a sovereign or Bank of England bill, and the reason is obvious; whenever they get, through payments from customers into the bank, or are collected by agents, they never again return to

the public, being sent daily back to London to provide for their running bill accounts. Is it, then, to be borne, that the coin of the realm, and the issues of the Bank of England, should be thus withdrawn from country circulation; and at the same time can it be asserted, that it is at your option to take the country notes or not?

It was in the year 1796, that Mr. Pitt, when he passed the bill to enable Country Bankers to issue bills under five pounds, insisted on the expediency of some security being given. The necessity of supplying a circulating medium for the country, during the absence of specie, was urgent, and the opposition from the Country Bankers to giving any security so powerful, that he abandoned the measure, contenting himself with a compromise, in carrying a financial one, namely, by laying on a heavy stamp duty on re-issuable notes!

No other plan, I believe, was agitated until 1818, except that of additional duties on stamps—when, in consequence of the public alarm from the numerous

failures of Country Banks, Mr. Vansittart brought a bill into parliament requiring all Country Bankers to deposit the whole amount of their issues of notes under five pounds, in government securities—with many other obnoxious restrictions; and for which he proposed to allow the Bankers the interest of 3 per cent!!! No measure could have been more theoretical or impracticable. The minister, with that crooked policy so often fatal to open plain dealing, conceived in those distressing times, that by means of the popularity and expediency of his measure, in protecting the public from the depredations which had recently become so alarming, he could ingraft a financial measure of having the control over thirty to forty millions of stock, not belonging, but intrusted to Country Bankers; thereby hoping to relieve the depression of the public funds. This proposed bill instantly brought to town a cloud of nearly two hundred bankers, with an equal number of *proxies* in their pockets; the oppression and impracticability of the plan placed them on high ground. They met at the George

and Vulture Tavern, and framed, almost unanimously, a number of resolutions: among others were the following—

Sir WILLIAM ELFORD in the Chair.

Resolved,—That the Country Bankers have been as punctual as any other class of commercial men in fulfilling their engagements.

Resolved,—That the powerful accommodations they grant to the commercial and agricultural interest, as well as facilitating the punctual collection of taxes, entitle them to the support of Government, instead of being unjustly marked as undeserving the public confidence.

Resolved,—That such interference would be a dangerous precedent, tending to overturn the whole system of private credit, individual responsibility, and free commerce.

In the two last of these resolutions this powerful body was undoubtedly right. The minister was glad to get out of the scrape, and withdrew his bill, contenting himself, I believe, with another addition to the duty on stamps!

The alarming extent of pressure from scarcity of money lately experienced, gives every reason to expect that a forced circulation of notes will not fail to be continued; and the total exclusion of gold and Bank of England paper does in my opinion peremptorily require the earliest interference of the Legislature. The Public are unanimous in the necessity of some measure being adopted; but on examination it is found so surrounded with difficulties, that few are agreed as to the remedy. I should deem it presumption to imagine I could point out a plan to reconcile the policy of Government with the interest of so powerful, and in most cases so respectable a body of men as the Country Bankers: however, the extended misery which is now so often brought home, from the fire-side of the saving and industrious poor, to the more opulent members of the community, nay, to all descriptions of persons in the country, demands the attention of every thinking man. I therefore hope I shall not be charged with vanity, in the attempt of suggesting a plan for the amelioration of a system fraught with such extensive calamity.

The first principle which presents itself, is well known and allowed by all statesmen and men of business; namely, that the utmost possible extent of the circulation of specie, or of notes, that it would be prudent for the chartered Bank of England to issue, is not probably half the circulating medium necessary, for the financial, commercial, and agricultural demand of an empire, in which may be said to be concentrated the enterprise and industry of all Europe.

The next consideration for the attention of the Government and the Legislature (for it is their affair), is how to provide, with safety to the Public, for this indispensable surplus of the circulating medium. Many reflecting and well-intentioned men are for ever filling the columns of newspapers with descriptions of the advantages and security of Scotch Banks: the noblemen and persons in the first rank of society in Scotland are stated to be shareholders; and I understand that money is advanced, and discounts granted, for a certain limited time, to merchants and others, proportionate to the extent of the business and the solidity of the appli-

cants. This is all very well where a man is known to some of the directors or shareholders of these Scotch Banks, and where it is easily ascertained if his business is thriving, and minute inquiry can be made whether his speculations be prudent, or his daily *haggis pudding* be too large for his income; but with respect to England, the immense scale of its commerce, enterprise, and agricultural industry, would render such primitive theories totally impracticable: and although the noblemen and great proprietors of Scotland, from benevolent motives, may grant their personal responsibility to these comparatively limited trading companies, it would be difficult to find men of the first class in this country to involve their responsibility in any establishments whatever; or be induced to conspire for the extinction of the respected Country Bankers, from whom they have received, and to whom they, their fathers, and grandfathers, have given, occasional assistance for nearly a century past.

We will now touch on another scheme which has often been submitted to the Public,—that branches from the Bank of

England should be established all over the empire. I am not in the secrets of that chartered body; but the first doubt I have, is, whether the Directors of the Bank of England would, or with safety could, consent to any such plan: if they did, they would require and justly be entitled to some important compensation from Government for the expenses and risk of providing such relief for the exigencies of the State, instead of being subjected to the heavy duty on stamps which is at present paid by the Country Bankers. To carry this grand monopoly into effect, ample security would be required from the distributors to whom this specie and Bank paper were intrusted for circulation; none but men of property could give security in the various cities and towns of the kingdom, and such men would expect to be well remunerated. All this being settled,—what are they to receive in exchange for their specie and notes? Will they allow their agents to take the personal security of the farmer and tradesman,—or will they lock up their money on the deposit of title-deeds, or joint bonds, as is done by Country Bankers,

who from their local knowledge are induced to grant temporary assistance to the agriculturist, the merchant, and to all others in their respective lines of industry?

I will also ask, if these new appointed branch Bankers, destined to supersede 7 or 800 men of business in the country, who have devoted their lives to that object, intend, as the latter have done, to accommodate the Public at a trifling expense, in the management of the multifarious intricacies of stock transactions respecting wills, survivorships, probates, and numberless other intricacies in the transfer of property, which, without their experience and assistance, would require the employment of two or three additional attornies in every country town, where the inhabitants think they have already quite enough?

In short, such scheme, in all its bearings, I consider to be wholly impracticable; and that the promoters of the plan would be among the first to raise an outcry against so dangerous a monopoly.

I recollect a third scheme which was proposed at a period of great exigency

(under no other circumstances would it appear credible), namely, that Government was to furnish a circulating medium for the country, by the issue of exchequer bills of one and two pounds, bearing no interest: they had in France assignats, and they have in Spain, Russia, and in most of the countries subject to the Holy Alliance, Government bills so low as five shillings, which are more or less at 30 to 60 per cent discount:—a notable scheme for Old England!

It is very probable, that many other projects, equally plausible in theory, have, within the last thirty years, been suggested as remedies against this daily increasing calamity; but I conclude, from the clashing of contending interests, they as well as all others have been abandoned in despair.

However unworthy, as statesmen, the conduct of Mr. Pitt and Mr. Vansittart may now appear to us, by having abandoned a measure of such vital importance to the internal policy of the country, it must be recollected they lived at a period when taxation was required to be carried

to its utmost stretch; and that any diminution of revenue, even under the most urgent circumstances, was then become impracticable. It was therefore from the impossibility of foregoing the revenue from the stamp duties on Bankers' promissory notes, that every remedy to the existing evil fell to the ground; and every human invention for this object must ever fail, whilst ministers continue to supply a circulating medium accompanied with a tax on its distributors.

Happily, at this moment our ministers are enabled to adopt a more enlightened policy; and it is for their consideration, if, under such urgent necessity, it be not more important to the Public, to forego a revenue of a hundred thousand a year on Bankers' stamps, than by granting relief to almost any other object of taxation. As it now stands, the repeated additions which have successively been made to the stamp duties on this circulating medium, can no longer be viewed in any other light but as a bonus to Government from the Bankers, for the privilege of inundating the country with their promissory notes, which in too

many instances have been issued for the sole purpose of defrauding the Public! To men who have acted on this principle, it can be of little importance if they pay to Government 5 per cent duty on their notes, or 10 per cent, as they still will have 90 per cent left for their pious intentions.

All men of observation and experience are now unanimously of opinion, that some security is indispensable to be given on those promissory notes, which are thus become the exclusive circulating medium throughout the country. To carry this object into effect, ministers must not subject the Country Bankers alone to the tax of licenses, stamps, and other exactions in business, from which commercial men are comparatively exempt. If the Government think these Bankers best adapted to fill up the deficiency of the circulating medium, they are bound to offer them every encouragement and exemption, to enable them to give security to the Public, in furnishing a circulating medium, which cannot be dispensed with: they should no more be impeded in effecting this national object, than the

agents of Government or of the Bank of England would be, if they were employed in discharging this duty; for I will, before I close this Letter, bring proof, that the fair and legitimate Country Banker, subject to the duty and other charges he at present pays on the issue of one and two pound notes, or in future may pay on security notes, can derive but a very limited profit or advantage beyond that of their affording him a facility in conducting the other objects of his business;* and I feel assured, that the greater part of the Country Bankers, who are men of property and integrity, will not again suffer their characters or independence to be shaken by the panic and caprice which periodically occur, if such limited profit from the issue of promissory notes is farther curtailed by any tax or impediment from Government whatever. The capital of opulent and regular banks is not wholly derived from the circulation of their minor notes, as is imagined by superficial observers; they will give up the issue of them, and astonish the

* See Appendix.

country gentlemen by the sight of a few sovereigns and Bank paper, leaving the course free for those who have an object in "*flying kites*," and in exposing themselves to the effects of "*running matches*."

Let us, however, avoid levity. I am well aware that in the view of political economists, it is of little consequence to the Public from what channel an article of commerce is derived, provided it be in demand.

If a cargo of figs or raisins arrives at a port, it can be of no importance to the consumers if the profit be made by Mr. Brown, or by his rival Mr. White; all this is evident; but as my object is to confine myself to one point, namely, that of submitting my humble opinion on the best and safest plan for the protection from ruin of the industrious tradesman, as well as the poor labourer, whose only saving consists of a solitary one pound note, I think it of more importance than the political economist may wait to consider, whether the occasional wants of commerce and agriculture be provided through the excessive and forced issues of "particular

banks," or from those of their neighbours, who are always determined to *see their way clear* before they are tempted to extend the line of prudence in the circulation of their notes: the excessive issues of the former have often recoiled in bankruptcy to both issuers and receivers, and the precautions of the latter may have possibly often proved a check for the preservation of all parties.

It must be a sanguine mind which can hope for success in reconciling the widely opposed interests of high prices and low prices, whilst it is evident that the whole question really rests on the redundancy or scarcity of the circulating medium, be it bullion, gold, silver, bank-notes, promissory notes, or tokens; and a man must not be less sanguine to expect that any Chancellor of the Exchequer will willingly abandon a source of quiet and easily collected taxation without a struggle. However, as it is the duty of every man in prosperous times, as well as in bad times, to endeavour to keep Old England where she is, I will now come to the restrictions, which, for the safety of

the Public, and for the respectability of Country Bankers, I beg leave to offer for consideration.

1st, That, for the protection of the Public from the ruinous consequences which have so frequently attended the failures of Country Banks, a security be deposited with Government to the amount of two-thirds the value of all re-issuable notes under five pounds.

2dly, That the Government shall consent not to derive any benefit, or suffer any loss, on any description of the securities lodged with them; but that the interest accruing from stock, bonds, and all other property, be at the disposal of the depositors, as is done with the dividends at the Bank of England; and that every security, when deposited or redeemed, shall be delivered up or transferred in its original state, without any charges whatever.

3dly, That all security notes shall receive the Government stamp as is now done, but to be free from all duty, or expense of any description.

4thly, That above all, for most obvious

reasons, it is indispensable that no forms or delays be permitted to interfere with the immediate redemption of all or any part of the securities deposited with Government, any more than are experienced in the sale or transfer of stock at the Bank of England; and that the only proof or voucher necessary to claim such deposits be, that of presenting to the commissioners of stamps such portion of the security notes on which the depositors claim redemption, and which are then to be cancelled in their presence.

I now come to the description and nature of the securities required to be deposited. The only principle on which security is required, is that of protection to the Public, and to that object only it ought to be confined: consistent with that basis, every possible accommodation should be allowed to enable the depositors, with the least inconvenience to their concerns, to comply with the obligation. On the transfer of stock, the deposit of exchequer bills, India bonds, or any Government securities, on which it be agreed the depositor is to receive the interest and dividends, no ob-

servation is necessary. I next propose, that all freehold and leasehold security in lands, houses, or other property of that description, be accepted at 10 or 20 per cent under the value estimated by sworn surveyors.

It also becomes a subject for discussion, whether for a limited portion of the deposit, say one quarter, approved joint personal security should be admitted, as is done by Government in behalf of the county receivers of the national taxes.

In short, it is most indispensable that every facility should be granted to enable the depositors, with the least possible impediment, to enjoy the free circulation of their capital, whilst it is consistent with public safety; and that, whenever their security notes should, from public panic or pressure of the times, be returned to them, they may be as instantly converted into money, as if the deposit had been invested in the stocks or any other tangible security.

Without this regulation, it would be impracticable for any man of business to make the deposit required. The object of Bankers is to employ the capital derived

from the circulation of their notes, and other sources, which capital is known from sad experience not to be immediately tangible; for if a run against them took place, they would not only be exposed to the present difficulty of suddenly providing for payment of their notes, but would also suffer an additional pressure, by having also two-thirds their amount locked up in the hands of the commissioners; thus requiring in fact a double capital.

As to the promissory notes of five pounds and upwards, I believe it would be impracticable in the country to go to the length of making them security notes. It is evident that these notes do not often get into the possession of the ignorant or poorer classes, for whose protection the security proposed is chiefly intended; and with respect to the men in business, into whose hands they pass, they have the same means of forming their judgment of the credit and responsibility of the Bankers who issue them, as they have respecting their other transactions in trade; having also the option, which they do not now

enjoy, of refusing them, by requiring security notes.

On this subject there appears a choice of difficulties: Mr. Vansittart, I understand, introduced in his bill a clause giving the Country Bankers the option of making their notes of five pounds and upwards, security notes or not. This "option" is evidently most objectionable on every fair ground; for if a bank issued this description of notes without a security stamp, their credit would immediately be called in question; and if they issued them with the security stamp, it could not be expected that the quantity of their circulation would be adequate to the demand of the Public. On this ground it appears to me impracticable, whilst the circulation of specie is so insufficient to the wants of the Public, to interfere with the liberty of circulating notes of five pounds and upwards; and on this description of notes it is but fair that the stamp duty should remain.

There is one doubt which presents itself on this difficult subject. It is possible,

that, by requiring these security notes, the circulating medium may be so much diminished as to cause great inconvenience to the trading and agricultural classes. It has been said, that London being the seat of Government, and its transactions so immense, all the circulating medium of the precious metals and of paper, which can, without restrictions, be prudently supplied for cash payments, is required for the metropolis, and some particular counties which issue no promissory notes. I see no reason why London should engross all the gold currency, exchequer bills, debentures, and Bank of England paper, or why a jealousy should exist against a part of it finding its way for the circulation of the country at large. If a fair proportion should be applied to that purpose, and Government would considerably increase the quantity of silver coin, it would tend to relieve the necessity of minor notes, and render us less liable to an over-supply of the circulating medium; by which, I am convinced, we should in town and country find less encouragement for embarking in wild and ruinous speculations, and both

enjoy a more healthy state. The precious metals, from being more dispersed, would not be so easily collected for export on every variation of the foreign exchanges; or the Bank of England paper be so liable to be exchanged for gold, whenever a panic arises, or confidence is shaken.

If the Bank of England cannot with prudence extend their discounts or issue of notes, adequate to the wants of both town and country, I do not perceive it follows, that the provincial intercourse should be carried on exclusively through the issues of private Bankers; for we all know, that in the distant parts of the kingdom both gold and Bank paper are so assiduously collected by the distributors of country paper, that a sovereign is as rarely seen as a swallow in winter, and a Bank bill as a woodcock in summer! Let the London Bankers, whose responsibility is generally reported to be greater than that of Country Bankers, also issue their promissory notes; they can easily cross the street to the Bank of England, to meet a run when it occurs; whilst the Country Bankers are occupying all the mail coaches

to bring home sovereigns in time to stop the torrent. By these means the pressure in times of scarcity would not be so severe; nor would the minor country notes be the only dependence of the tradesman and the farmer, as is now the case.

I am aware we here touch on ticklish ground; this measure is prohibited by the Bank charter, and good faith must be observed: but why ought not the Directors of the Bank of England, for the benefit of the kingdom at large, to concede this clause in a charter, which in a few years will expire? and the wisdom of the Legislature may then enact what is necessary for the public welfare. Chartered companies are venerable for their antiquity alone. In their origin they were indispensable for all large commercial operations, and for the protection of trade, which private individuals had neither the means nor abilities to carry on; but in modern times, when "men have become wiser than their teachers," the enterprise, talents, and capital of single individuals leave all monopolies at a distance, and the only way to ruin an establishment through

its own incumbrances and expenses, is to obtain a charter.

I will now beg leave to make a few observations on the proposed restrictions, the outline of which has been classed under four heads.

First, with respect to the deposit. There are many who, looking only at the surface, will not be satisfied unless the whole amount of the re-issuable notes be secured to Government. There are others who consider the country will be sufficiently protected if half the amount only be deposited, thinking that the responsibility of the parties who can afford to carry on the banking business under the new system, may be deemed sufficient for the other half. I have taken the liberty to suggest a deposit of two-thirds the amount of the security notes, deeming it a reasonable consideration towards the protection of the Public, and not going too far in locking up a capital, with which the Country Bankers would be enabled to assist the tradesman and the agriculturist. In all commercial and money transactions there is some risk. The price of stock and other

Government securities, of produce, of land, and all commercial property, is subject to depreciation and loss. We have heard it asserted, that Bank of England paper has been at a discount, and we have lately found exchequer bills at sixty shillings discount. Why, then, must we insist that a circulating medium, supplied by the Country Bankers, should be exempt from all possibility of risk? It is to be hoped that a deposit of two-thirds of the amount of their minor notes will drive back many of the establishments formed only for the forced circulation of their paper, to the shops, offices, and farm-yards, from whence they ought never to have emerged, and consequently the personal responsibility of regular and respectable Bankers will become of greater importance, and the issues of their paper be entitled to greater confidence.

With regard to the second and third clauses, that Government shall pay over to the depositors all dividends or interest arising from the deposits free of expense, and that the security notes be given free of all stamp or other duties, I think it has

already been proved, that on security being required, it must be found totally impracticable for Government to continue any stamp duty, expense, or tax whatever.* If Government should think proper to try the experiment of any of the numerous schemes which have been suggested, they not only would be obliged in those cases to abandon all stamp duties, but would incur heavy expenses in the distribution of a circulating medium through the kingdom; except on the plan of Scotch banks, which all men of experience must be convinced, although they may work well in Scotland, would never suit the immense commerce and enterprise of this country; nor would it be adapted to the taste of men of property here, to become shopkeepers, by lending their names and responsibility to any mercantile concern whatever. If, then, the stamp duty on minor notes, be it 100,000*l.* a year, more or less, cannot be expected under any plan, wherein the Public shall be protected, why should the Government hesitate to relin-

* See Appendix.

quish it in favour of the Country Bankers, under the condition of the security proposed? for I contend, that it is on this question alone, that a protection to the Public from the depredations of designing men has been so often brought forward, and so often abandoned.

The fourth and last clause has been already dwelt on. It would not be too arduous a labour for the commissioners of the stamp duties to be in daily attendance to receive the report of the securities lodged, and if approved, to grant a warrant for the delivery of the security stamps, or to receive the tender of ten or twenty thousand returned stamps, and immediately transfer or deliver up the securities deposited. It requires no argument to shew the necessity of despatch in this last transaction, as on the delay of a day may sometimes depend the safety of an establishment at a period of severe pressure.

An intelligent theorist, who appears to be an advocate for free trade, says, he sees no difference, when a Banker issues promissory notes, whether he takes the security of lands, houses, farmers' stock, or joint

personal security, or whether he places the money in the public funds; for that a fall of stocks, or the depreciation of the value of other securities, may equally make him a bankrupt. I think, on reflection, he will perceive a most important difference to the Public, whether this capital be employed in giving activity to the operations of the agriculturist and tradesman, or that it be locked up in the funds; and I believe the Bankers also perceive a difference, although perhaps from a different principle; the farmer and tradesman pay him 5 and the funds not much more than 3 per cent. As this discussion is rather foreign to the subject before us, we will no longer dwell on it; but it does not appear to have occurred to this writer, that the Bankers who have caused all the mischief have never benefited the Public in employing the capital created by the forced issue of their notes, in lending it to farmers, or have buried it in the stocks. Instances have happened wherein it has been applied, first, in paying off their own private debts, against which they had ever struggled until they became Bankers; next, they turn

gentlemen, living in a style of expense which they never before could have attempted, or even dreamt of; and with the remainder of this golden harvest, they embark in building houses, gambling in shares, and other speculations, which, if in the lottery of chances they happen to turn out successful, these Bankers consider themselves excellent men of business; but should the reverse take place, the Public receive a dividend of two shillings and sixpence in the pound, as a reward for their delusion!

I will now submit a few observations to the respectable body of Country Bankers at large. It has been stated to be a great hardship and impediment to the free circulation of property, that two-thirds, or any other proportion of their capital should be locked up in the hands of commissioners, whilst all other men of business are allowed the utmost freedom of trade, and enjoy that degree of commercial confidence to which their neighbours deem them entitled. This argument would have its weight if the commodity they dealt in was one which it was optional with the Public to use or not; but it now happens

that having exclusively the command of the circulating medium, they leave no choice to the poor labourer and the lower classes of society, who are thereby often reduced to the situation of lamenting over their only property, namely, a useless one pound note. It is also evident that two-thirds of the respectable Bankers' capital is not locked up by this security bill; the notes of five pounds and upwards, which circulate among men of business, are not on this plan proposed to be made security notes; nor do their interest notes, cash balances, or any other deposits, suffer from this restriction. I should be sorry that this deposit should form even one-quarter of their capital—and they should not forget, that by their issuing to the Public these security notes, two obvious advantages would follow: first, that it would considerably tend to strengthen the general confidence in the solidity of their firms, and thereby increase their balances, deposits, interest notes, &c. &c.; and secondly, decrease the list of their rivals in business, whose principal object has been that of raising the wind by an indirect circulation

of their notes. Thus, Country Banks would once more become respectable establishments; and we should no longer see, as a noble Peer once said in his place in the House of Lords, "that in passing through any town or country village, if by chance he noticed on one side of the street, an inn with the sign of the Great Mogul, or Red Lion, he was sure to observe on the opposite side, the word *Bank*, in gold letters, placed over the door."

It is in vain to expect that any public plan, however urgent, can be introduced without meeting with much opposition. Those whose attention is solely fixed on high rents and high prices, join the Country Bankers, under an apprehension that the adoption of security bills will so much diminish the circulation, or produce what is called so great a scarcity of money, as to make a material change in the value of their property, and also impede the enterprise and manufactures of the country, which enable us to pay the taxes, and give us our ascendancy over all the world. The object or limits of this letter will not permit me, at present, to enlarge on this im-

portant subject; but I see no well-grounded apprehension, that the restrictions proposed would produce such consequences, beyond a salutary extent. Respectable private firms would, for their own reputation, as well as for the convenience of their customers, issue a necessary quantity of this circulating medium. I admit we should not again hear of individual establishments which have issued 300,000*l.* or 400,000*l.* in small notes, nor should we probably again see the period, wherein even Bankers, who conduct their business with prudence, could not make beyond 2 to 3 per cent interest of their capital, which has occurred within the last two years; but if the metallic currency was much increased, and if, perhaps, silver coin made a legal tender for fifty pounds, instead of five pounds, I am of opinion that, with the moderate assistance of security notes, we should have a sufficient circulating medium for all beneficial purposes; for otherwise I should be at a loss to comprehend how it is that no difficulty is experienced in the immense territory of France, where they have no notes of any description, public or

private, under five hundred francs. It is most evident that no scarcity can in its effects become so dangerous to a country as the over-redundancy of money, created at pleasure, in the paper manufactories of the Country Bankers. Is it to be suffered, that these gentlemen shall possess the power to cause an artificial rise of every article of consumption or produce, when in two or three years after, from the same causes which have so often occurred, the same convulsions inevitably must follow, and fall, with renewed force, on every class of society—producing a sudden depreciation of every description of property?

I am not aware that we should be less liable to such fluctuations, if chartered banks, joint-stock companies, or a board of commissioners, were to supersede Country Banks: they would trade to the extent of their capital, and not be exposed to the only check which prevents private Bankers from increasing still more their present issues,—namely, the fear of a run against them; whilst these bodies of monopolists, from their known responsibility, would feel no such apprehension; and it would remain

to be proved if they would not be as eager for profit, from a too extended circulation, as the present men have been. If to counteract this danger they should be under the "surveillance" of Government, any future minister, in times of public necessity, may so extend the circulation of paper, that gold and silver would disappear, as we know has frequently occurred in foreign countries. I am also not convinced, that these chartered companies would meet with many very willing customers; for where is the country merchant or trader, if he could avoid it, who would consent to have his private transactions discussed and canvassed by all his neighbours in office, who may be disposed to pry into them?

Another fact experience has long proved—that most chartered or joint stock companies are broken down by the expenses of directors, managers, agents, clerks, &c. &c. These last gentlemen would soon be the only parties who would not be tired of remaining shareholders; for I am informed that, even with Scotch economy, such are the expenses of management and agency

among our northern brethren, that the shareholders in their Banks often find a dividend of 2 or 3 per cent to be the utmost extent of their profits.

I shall now conclude, trusting that both the Government and Country Bankers will find a mutual interest in securing a protection to the middling and lower classes of this kingdom, to which the public attention is now fixed, and is, on every principle of policy and justice, become indispensable; but if the former think it can be effected, and still remain an object of public revenue—or if the latter, following the outcry about the freedom of trade, and of private confidence, should instruct their representatives in Parliament to oppose any security or restriction whatever, I fear nothing can be done, but that the evil will, by frightful strides, go on increasing.

APPENDIX.

ON calculation of the profits arising from the circulation of 1000*l.* in notes of 1*l.*, which notes, on a fair estimate, we will consider to last eighteen months,—a part may be fit to circulate for a longer period, but a great proportion becomes so defaced and worn out as to require cancelling in a much shorter time.

	£.	s.	d.
The extreme profit, even at 5 per cent, and supposing these notes to be in constant circulation, which is never the case, would be in eighteen months	75	0	0

DEDUCTIONS.

Cost of stamp duty at 5 <i>d.</i> on each note, loss on spoiled stamps, banking licenses, clerks, rent, &c., at least 2 <i>d.</i> more, making 7 <i>d.</i> on each one pound note	29	3	4
Paper, engraving, printing, postages, risk of forgery, &c., say 1 <i>d.</i>	4	3	4
Carried forward	£33	6	8

	£	s.	d.
Brought forward.....	33	6	8
Interest on the above sum of 33 <i>l.</i> 6 <i>s.</i> 8 <i>d.</i> eighteen months	2	10	0
Interest on the money a prudent Banker must keep ready to meet a run, or even the common fluctuations in the demand for his notes, say only one quarter of the 1000 <i>l.</i> in circulation, viz. 250 <i>l.</i> eighteen months	18	15	0
	<hr/>		
	£54	11	8

So that the utmost possible profit reckoned at 5 per cent, not taking many other drawbacks into consideration, a Banker can derive, on the issue of 1000*l.* in his 1*l.* notes, is 20*l.* 8*s.* 4*d.*, or, if he issues 50,000*l.*, is 1002*l.* in eighteen months, or about 670*l.* a year, to be divided amongst all his partners!

I believe above half the Country Bankers have never taken the trouble to make this calculation, otherwise it would be a matter of surprise to me that respectable men, when public confidence is shaken, should consent, from the circumstance alone of having issued these one pound notes, to become the subjects of the censure and suspicion of every ale-house politician, or to be exposed to the heavy sacrifices which at such periods they must incur,

from having to provide instantly to meet the run; whilst experience proves, that of 50,000*l.* advanced to their customers, not one-tenth part can be called in for weeks or even months after such run has occurred.

I think we can require no stronger evidence to prove, that with the above-stated duties and expenses, making together 75*l.* per cent on the issuing of these promissory notes, it becomes totally impracticable to add a security stamp on two-thirds, or any portion of their amount: either the one or the other must evidently be given up.

Prior to the year 1796, when the Bank restrictions took place, neither the Bank of England or private banks issued notes under five pounds. Perhaps the increase of population and commerce since that period would make it now difficult to provide a sufficient gold circulation for the necessary wants of the Public; but I should like to see our gold and silver currency double its present amount, as is the case in France, where their internal commerce bears no proportion to ours, and where no Bank bills are issued for less than 500 francs; or, if that is not practicable to the extent required, I humbly submit, that the Bankers of London be also included in the honourable privilege of circulating promissory

notes; by which means the country at large may enjoy the satisfaction of sometimes seeing the current coin of the kingdom.

P. S.—Since this Letter has been sent to the press, I see from a newspaper that an eminent Baronet, who I trust is not so much a theorist in agriculture, as in my opinion he appears to be in banking transactions, has published a plan by which he proposes to provide against all the difficulties which have puzzled our statesmen and merchants for the last thirty years.

If I comprehend the outline, which is stated to have been previously proposed seven years since, his plan is to establish in London, “two” *Corporation, or Chartered Companies*.

The first, to be composed of seven commissioners, who are to be empowered to grant licenses to Country Banks, consisting of any number of associates; on the condition of their giving a deposit of landed, funded, or personal security, for the whole amount of all the notes they circulate; on which they are to be allowed an interest of 3 per cent !!

The second Chartered Company is to be named, the *Great Corporation, or London Bank*;

who are to be allowed to circulate their notes in the country, and correspond with such country establishments as choose to employ them.

This outline of the honourable Baronet’s plan appears to me more Utopian and impracticable than any of the schemes I have hitherto heard of. I have before observed, that in modern times, when the liberty of free trade is so much contended for, the good people of England would not be over attached to an increase of Corporate Bodies, or Chartered Companies, nor to any schemes wherein power and patronage appear to be the most prominent features. Here we are to have, first, a Chartered Body of seven Commissioners, whose labours are to consist in granting licenses to Country Bankers, and in receiving deposits equal to the amount of their promissory notes: they, if I understand him correctly, are likewise to controul the issues of these notes, to prevent the circulating medium from being too redundant, or too depressed.

Now, as to their first duty, it will be found that every Country Bank, and every Branch Bank in the kingdom, already takes out a Government license, for which each pays thirty pounds. If, as is the honourable Baronet’s favourite plan, the licenses are to be extended

from six to sixty, or any number of partners, it must be decided by the Legislature, without a necessity of seven Commissioners to carry it into effect: nor do I perceive the utility of having a Chartered Body for receiving deposits, &c. &c. I have already proposed that the Commissioners now at the Stamp Office may be deemed as fully adequate for receiving and deciding on Government securities, authentic certificates of the value of lands, or of approved securities, as any new-invented Chartered Company established for that purpose.

It appears also, that one of these Chartered Bodies is to have a controul over the quantity of notes to be issued by each Country Bank. Now, I contend, for evident reasons, that this would be a dangerous power placed in the hands of any body of men whatever. The best protection to the Public, I consider, will be that of requiring security on reissuable notes, when there can be little danger of a too redundant circulation, as nothing could better meet the views of Government than a circulating medium to any extent, derived from such sources.

The second proposition, of forming a Chartered Body, or great Corporation, which is to be called the London Bank, is still more visionary than any scheme which I have yet seen proposed.

This London Bank is to be allowed to circulate its notes *in the Country*. It appears to me to be little more nor less than the establishment of another Bank of England under a different name; which, I believe, it would be no easy task to persuade the good people of this Country to encourage.

This new Establishment is also to become a kind of Commander-in-Chief, with whom all the Country Banks are allowed to correspond if they choose:—it would become a great Corporation indeed! It first occurred to me that the South Sea House being little used, would be a very proper situation for the transactions of this London Bank—but I am sure it would be found by far too small a building: they would employ all the spare clerks of the Bank of England and other Establishments, to carry on the colossal correspondence with eight or nine hundred Country Banks, as well as to distribute their notes for country circulation: but I fear this Imperial Concern would be soon tired of their country customers, who are under the necessity of making daily such numerous minute inquiries and applications on various transactions, as would soon induce this Metropolitan Bank to desire their friends to close their accounts.

I confess I am no advocate for more Chartered Banks, Branch Banks, or Chartered Associations, for the purpose of making experiments, which I am convinced would be found impracticable, or insufficient for the purposes required. Leave the management of the country circulation in the hands of those who have so long conducted it to the satisfaction and benefit of all classes of the community, with the exception of a few fraudulent Establishments, which can no longer exist when security is required:—Let the Government increase the coinage of gold, and above all, that of silver:—Let them relieve the Country Bankers from all incumbrances of stamp duties, on their minor notes, licenses, and all impediments to the distribution of a safe and free circulating medium, and I feel satisfied we should no longer experience on the one hand a pressure from a want of a currency, or on the other hand run a risk of too great a redundancy of what passes for money.

THE END.